

Texas Regional Entity Advisory Committee Meeting
Room 206, 7620 Metro Center Drive, Austin, Texas
January 19, 2009 at 2:30 p.m.**

Item	Topic	Presenter	Time**
1.	Call to Order	L. Grimm	2:30 p.m.
2.	Election of Advisory Committee Chair and Vice Chair* (Vote)	L. Grimm	2:31 p.m.
3.	Approval of December 8, 2008 Minutes* (Vote)	Chair	2:35 p.m.
4.	Texas Regional Entity Administrative Update	L. Grimm	2:40 p.m.
5.	Human Resources & Governance Issues	J. Newton	2:45 p.m.
	A. Review Committee Self Evaluation Results*	S. Vincent	2:50 p.m.
6.	Finance & Audit Issues	M. Espinosa	3:00 p.m.
	A. Monthly Financial Information*	T. Brewer	3:05 p.m.
	B. Financial Audit Plan Presentation*	S. Barry	3:15 p.m.
7.	Other Business	Chair	3:30 p.m.
8.	Future Agenda Items*	Chair	3:35 p.m.
	Convene Executive Session		
9.	Executive Session	Chair	3:40 p.m.
	A. Approval of December 8, 2008 Minutes* (Vote)	Chair	3:41 p.m.
	B. Assess 2008 Texas RE and CEO Performance* (Vote)	Chair	3:42 p.m.
	C. Discussion with Financial Auditor	Chair	3:50 p.m.
	D. Discussion of Privileged, Contract, Governance, Ethics, Personnel or Legal Matters	Chair	
	<ul style="list-style-type: none"> • FERC Audit Update • Detailed Comments from Committee Self Evaluations* 	S. Vincent	
	Reconvene Open Session		
10.	Vote on Matters from Executive Session (Vote)	Chair	3:59 p.m.
	Adjourn Committee Meeting		

* Background material enclosed or will be distributed prior to or at meeting.
** All times shown in the Agenda are approximate.

The next Committee Meeting will be held on February 16, 2009 at
7620 Metro Center Drive, Austin, Texas.

Date: January 12, 2009
To: Texas Regional Entity Advisory Committee
From: Larry Grimm, Texas RE CEO and CCO
Subject: Election of Texas RE Advisory Committee Chair and Vice Chair

Texas Regional Entity Board of Directors Meeting Date: January 19, 2009
Agenda Item No.: 2

Issue:

Election of Texas RE Advisory Committee (“Committee”) Chair and Vice Chair for 2009.

Background/History:

New Directors were seated at the Electric Reliability Council of Texas, Inc. annual membership meeting on December 9, 2008. Section 2.1 of the Committee Charter requires the Chair and Vice Chair to be elected through majority vote of the Committee members.

Key Factors Influencing Issue:

- Need for 2009 Chair and Vice Chair, in accordance with the Committee Charter.
-

Alternatives:

- Elect a Committee Chair and Vice Chair.
 - Wait to make a decision.
-

Conclusion/Recommendation:

Texas RE staff respectfully requests that the Committee elect a Chair and Vice Chair for 2009.

RESOLUTION OF THE TEXAS REGIONAL ENTITY ADVISORY COMMITTEE

, 2009

WHEREAS, the Advisory Committee of Texas Regional Entity, an independent division of Electric Reliability Council of Texas, Inc., a Texas non-profit corporation, deems it desirable and in the best interest of Texas Regional Entity to elect a Chair and Vice Chair of the Committee for the upcoming year;

THEREFORE be it RESOLVED, that the Committee hereby elects _____ as Chair and _____ as Vice Chair, to serve until the 2010 Committee is seated.

CORPORATE SECRETARY'S CERTIFICATE

I, Susan Vincent, Corporate Secretary of Texas Regional Entity, do hereby certify that, at the February 19, 2009 Texas Regional Entity Advisory Committee Meeting, the Texas Regional Entity Advisory Committee approved the above referenced resolution. The motion passed by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 2009.

Susan Vincent
Corporate Secretary

DRAFT MINUTES OF THE

TEXAS REGIONAL ENTITY ADVISORY COMMITTEE

Room 206A, Met Center, 7620 Metro Center Drive, Austin, Texas 78744

December 8, 2008

Committee Members

Michehl R. Gent, Chair		Unaffiliated
A.D. Patton, Vice Chair		Unaffiliated
Mark Armentrout		Unaffiliated
Don Ballard	Office of Public Utility Counsel	Residential Small Consumer
Miguel Espinosa		Unaffiliated
Jan Newton		Unaffiliated
Barry T. Smitherman	Commissioner, Public Utility Commission of Texas	

Other Directors and Segment Alternates

Steve Bartley	CPS Energy	Municipal – Segment Alt
Calvin Crowder	American Electric Power Service Corporation	IOU – Segment Alt

Other Attendees

Larry Grimm, Texas Regional Entity CEO and CCO
Susan Vincent, Texas Regional Entity Director, Legal Affairs
Victor Barry, Texas Regional Entity Director, Compliance
Todd Brewer, Texas Regional Entity Senior Financial Analyst
Ryan Clay, Texas Regional Entity Senior Paralegal
Nancy Capezzuti, ERCOT VP and CAO
Eric Goff, Reliant
Don Jones, Reliant
Randa Stephenson, Luminant
Kenan Ogelman, CPS Energy
Bridget Headrick, PUCT
Cesar Seymour, Suez Energy

Call to Order

Chairman Gent called the meeting of the Texas Regional Entity (“Texas RE”) Advisory Committee (“Committee”) to order at approximately 2:35 p.m.

Approval of Minutes

Jan Newton made a motion for approval of the minutes from the November 18, 2008 Committee meeting; A.D. Patton seconded the motion. The motion passed by voice vote with one abstention from Mark Armentrout.

Texas RE Update

Mr. Grimm updated the Committee regarding administrative matters at Texas RE, including:

- Texas RE is fully staffed and is looking to fill 2009 vacancies with qualified candidates as they emerge
- The Texas RE intern accepted a full time position as a Compliance Engineer beginning January 1, 2009
- Overall, Texas RE has under-spent its operating budget \$438,000, year-to-date
- Memorandum of Understanding (MOU)-related expenses paid to ERCOT are continuing to trend significantly higher than planned, due to the development of cost drivers and signing the MOU mid-year. The budgeted amount for the ERCOT services was significantly lower than actual cost (post-MOU) and is forecast to be about \$365,000 higher than budget for 2008. Mr. Grimm explained that this expense category is budgeted appropriately for 2009.
- ERCOT has signed a sublease for the new Texas RE office space, and Texas RE currently plans to move to the new space in late January 2009.

In response to a question from Mr. Espinosa asking where Texas RE will hold its Board and Committee meetings once they move to a different location, Mr. Grimm told the Committee that Texas RE would continue to have its 2009 Board and Committee meetings at the Met Center.

Chairman Barry Smitherman of the Public Utility Commission of Texas joined the meeting at 2:36 via telephone.

The Committee briefly discussed the ERCOT and Texas RE engineering intern program, and both Mr. Grimm and Ms. Capezzuti confirmed to the Committee that this continued to be a very beneficial program to locate and recruit qualified engineering students.

In response to a question from Ms. Newton asking if the SPP FERC audit results were available to the public, Mr. Grimm said that the results were not available yet, but SPP hoped to have the results available by year's end. Mr. Grimm told the Committee that once the SPP audit results are available to the public, Texas RE would review the audit results and use them as a tool for the upcoming Texas RE FERC audit. Mr. Grimm also noted that Texas RE had received the first data request from FERC on December 4, 2008, containing 32 requests for information that were due to FERC on December 29, 2008. Mr. Grimm said that he could make these questions available to the Committee if they wished, and the Committee decided to address this issue in executive session.

Financial Report

Todd Brewer answered questions from the Committee about the Financial Report.

Human Resources & Governance Issues

Committee Self Evaluation

Ms. Vincent informed the Committee that Texas RE had received 5 responses to the Committee Self Evaluation and 10 responses from the Board Self Evaluation. In response to questions by the Committee, Ms. Vincent explained that Committee members should have received two

separate emails (one for the Committee Self Evaluation and the other for the Board Self Evaluation) from which they could click on links to complete the two evaluations. Ms. Vincent told the Committee that she would bring the results to the February Board and Committee meetings. The Committee members strongly encouraged each other to complete both evaluations.

Texas RE Strategic Plan

Chairman Gent reminded the Committee members that they would vote to recommend the Texas RE Strategic Plan to the full Board for action at the February 2009 Board meeting. He noted that this Strategic Plan would be a working document that could be used until a long-term Strategic Plan was developed.

Dr. Patton asked about the expected relationship between ERCOT ISO's CCO position and Texas RE CEO and staff. Ms. Capezzuti explained that the ERCOT CCO will interface with Texas RE, NERC, and FERC as appropriate and that he or she would be the single point of contact for all ERCOT ISO compliance matters.

Mr. Armentrout stated that the Committee and Board members might want to look into the strategic issues of the ISO and how Texas RE fits into that and perhaps the committee should look at the goals of the ERCOT annual retreat and see if Texas RE should attend. Mr. Armentrout told Mr. Grimm that he should talk to Bob Kahn, ERCOT President and CEO, and discuss whether Texas RE should attend the ERCOT Board retreat.

Chairman Gent asked Mr. Armentrout whether there was any talk or movement of an organizational separation of Texas RE from ERCOT ISO. Mr. Armentrout informed the Committee that ERCOT Legal had been studying this issue and that there will be a forthcoming report.

In response to a question by Mr. Ballard about the origin of the Texas RE Strategic Plan, Mr. Grimm stated that it started from a draft that Texas RE staff had created. He explained that the current version contains redlines including comments from Committee members at the last Committee meeting. Mr. Gent reminded the Committee that he wanted to have the Texas RE Strategic Plan in place to help demonstrate separation from ERCOT ISO.

Compliance Report

The Committee discussed the November 2008 SCPS2 scores for wind-only QSEs. Ms. Newton expressed her frustration that this particular score seemed meaningless but there were no other wind-only measures in place. She asked if there was anything Texas RE could do until there was another approved metric in place for wind-only QSEs. Mr. Barry stated that there needs to be a new measure for wind-only QSEs. Dr. Patton stated that he would recommend not eliminating any of these metrics until there was something else in place, and Mr. Barry concurred. Mr. Armentrout asked how many committees a proposed metric would have to go through to get passed and Mr. Barry responded that it would typically go through three to four stakeholder committees. Mr. Ballard asked if Texas RE could create a new enforceable metric at the regional entity level. Mr. Barry told the Committee that Texas RE has no authority to enforce a metric that it alone developed – because it would not be either a Protocol or a regional standard. Mr. Armentrout asked Texas RE staff to bring to the Board and Committee what Texas RE's legal authority is, and what it is able to do. Mr. Barry noted that the Technical

Advisory Committee (TAC) may be concerned with this approach, since it would be outside of the Protocol process, but Mr. Ballard said that an alternative efficient process should be considered, regardless.

The Committee discussed the November 2008 Violation Tracking Report. Chairman Smitherman joined the Committee meeting (in person) at 3:08 p.m.

In response to a question from a Committee member asking if Texas RE needed anything from the Advisory Committee members in order to process the violations faster, Mr. Barry responded that Texas RE has all the necessary tools to complete these processes, but they were waiting on NERC approvals. Mr. Gent explained to the Committee that everything has the same priority at NERC, so it is very difficult to see anything expedited on NERC's end.

Mr. Armentrout asked if it would be appropriate for the Committee to discuss the ERCOT ISO audit from Texas RE in open or executive session; Ms. Vincent informed the Committee that they could discuss the ERCOT ISO audit only in executive session.

In response to a question from Ms. Newton about slide 17, bullet number two of the Compliance Report, Ms. Vincent explained that the Public Utility Commission was helping to incentivize TAC's organization on Nodal Protocol reliability metrics development. Mr. Barry noted that much progress has been made with TAC leadership to formalize a Nodal metric development process; so, most issues had been resolved. Dr. Patton expressed to the Committee that he has been kept in the dark about the activities of TAC, and he would like to be better informed as to what TAC and their subcommittees are doing. The Committee members expressed agreement, and Chairman Smitherman reminded the Committee that they are entitled to any amount of information from TAC at any time. Mr. Gent stated that he will relay Chairman Smitherman's statement to the ERCOT Board. Mr. Barry stated that TAC needs to develop a plan with a schedule for 1) enhancing Protocols to address wind performance, and 2) Nodal metrics development. The Committee members agreed that this was an important ERCOT ISO Board discussion item.

Executive Session

At 3:16 p.m., Chair Gent adjourned the open session portion Committee meeting and the Committee members went into executive session.

Adjournment

Chair Gent adjourned the Committee meeting at approximately 3:51 a.m.

Susan Vincent
Corporate Secretary



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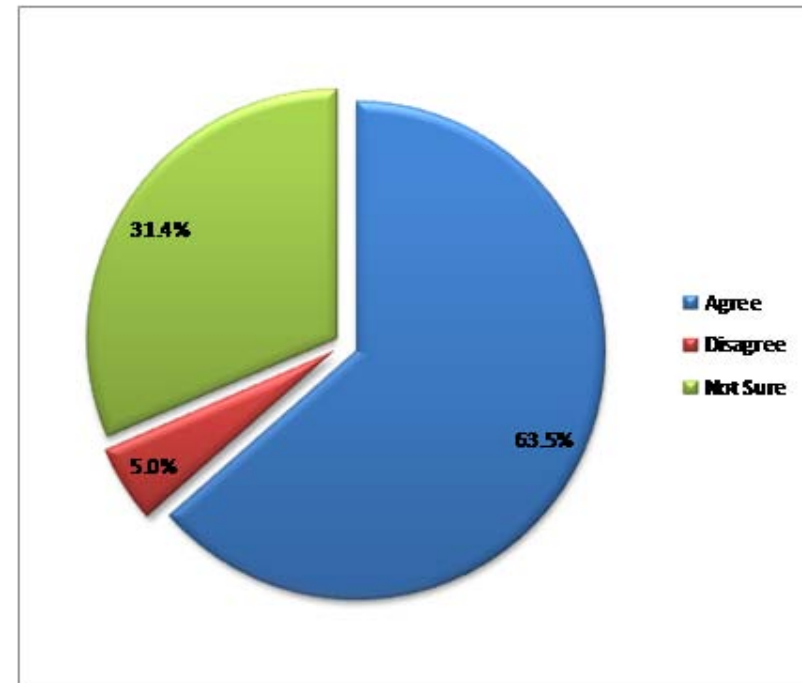
Texas Regional Entity Advisory Committee Self-Evaluation Results

January 19, 2009

Texas RE Self Evaluations

- **6 of 7 Committee Self-Evaluations completed**
- **12 of 16 Board Self-Evaluations completed**
- **Advisory Committee responses indicate:**

Newness of Committee makes it difficult to evaluate some areas at this point



Positive Input

- **Committee has appropriate number and composition of members**
- **Committee receives clear agendas and materials sufficiently ahead of meetings**
- **Committee executive session provides “safe haven” while still allowing thorough and frank questions and discussions**
- **Committee provides appropriate level of detail with recommendations to Texas RE Board**
- **Committee meets with appropriate frequency**

Improvement Needs

- **Members not always clear on which topics should be discussed at the Committee (versus Board) meetings**
 - Scope of Committee is for discussion of administrative (budget, staffing, etc.) matters
- **Members desire more optimum use of meeting time and additional time to discuss issues and ask questions at meetings (1/2 hour has been added to meeting schedules for 2009)**
- **Some members desire more details on long-term planning**
 - What is desired?



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Questions or Discussion

Detailed Discussion of Specific Comments
in Executive Session



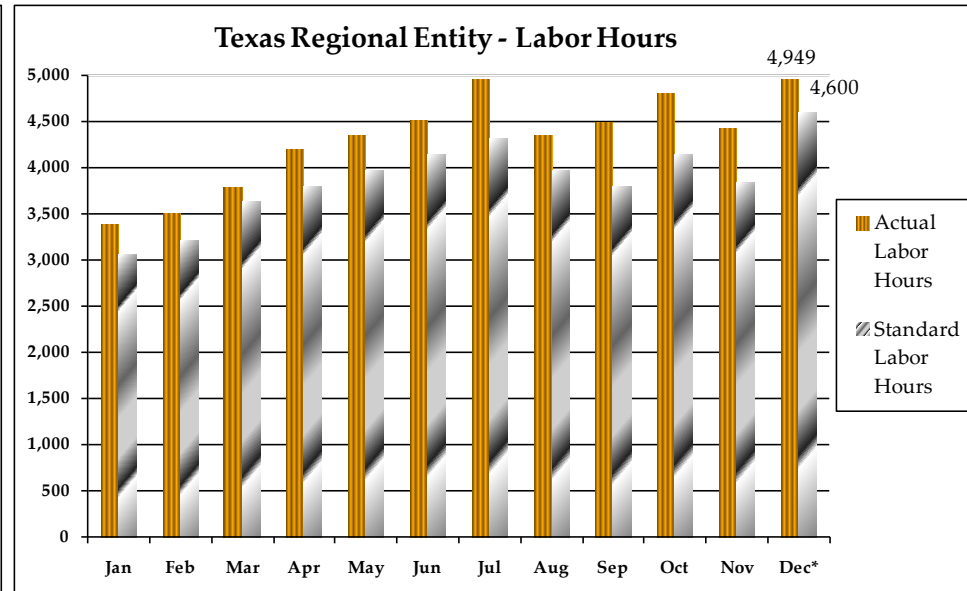
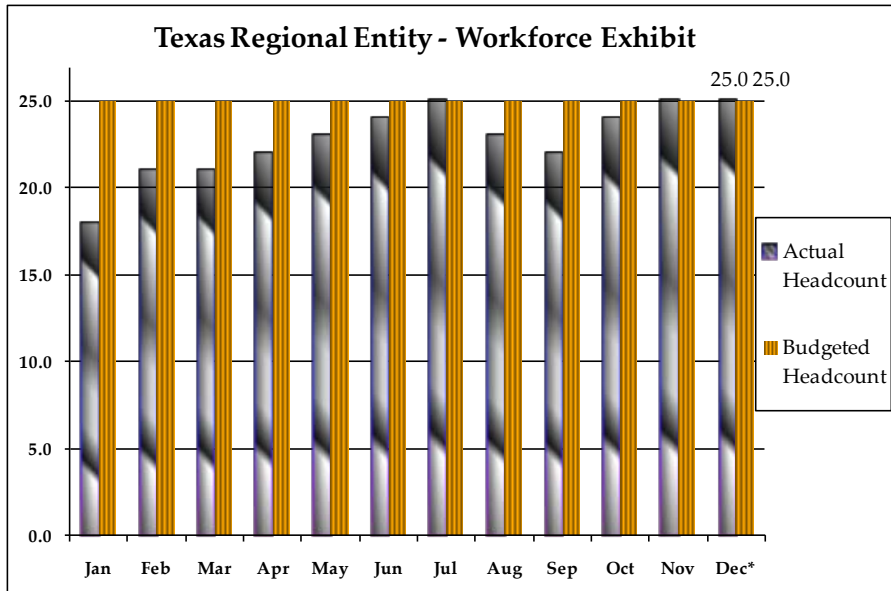
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Texas Regional Entity Financial Report

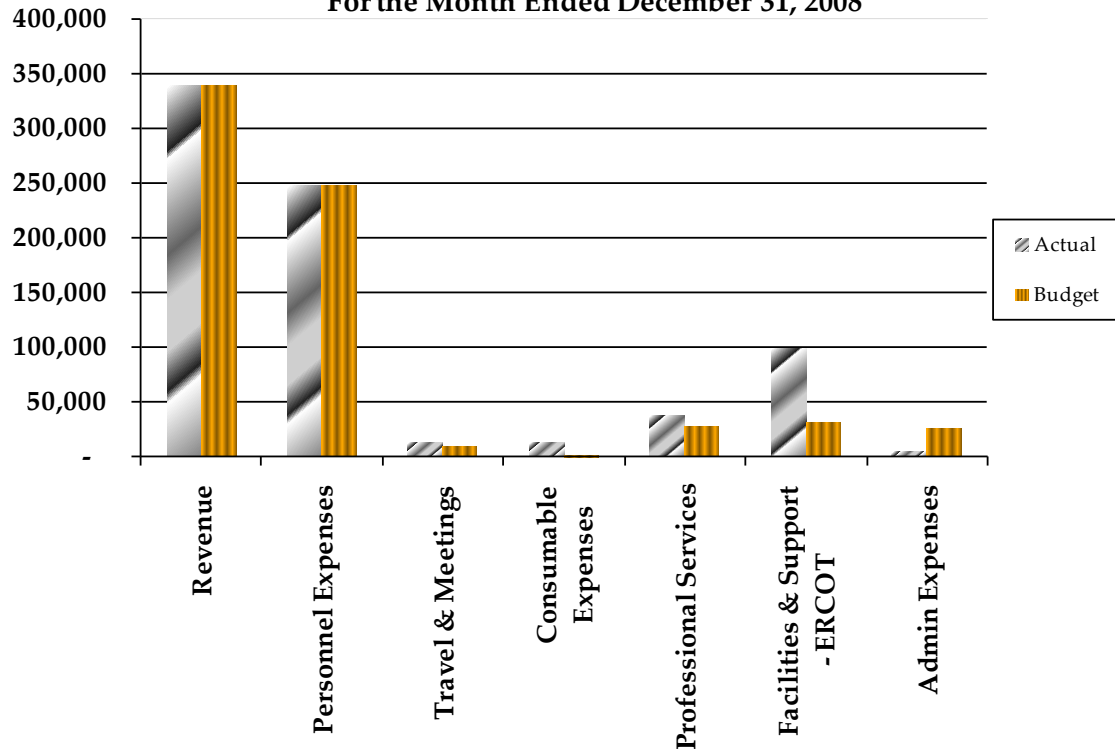
December 2008 & Year-to-Date
Financial Overview
January 19, 2009

December 2008 & YTD Actual Workforce



December Operating Expenses

**Texas RE - Income Statement by Category
For the Month Ended December 31, 2008**

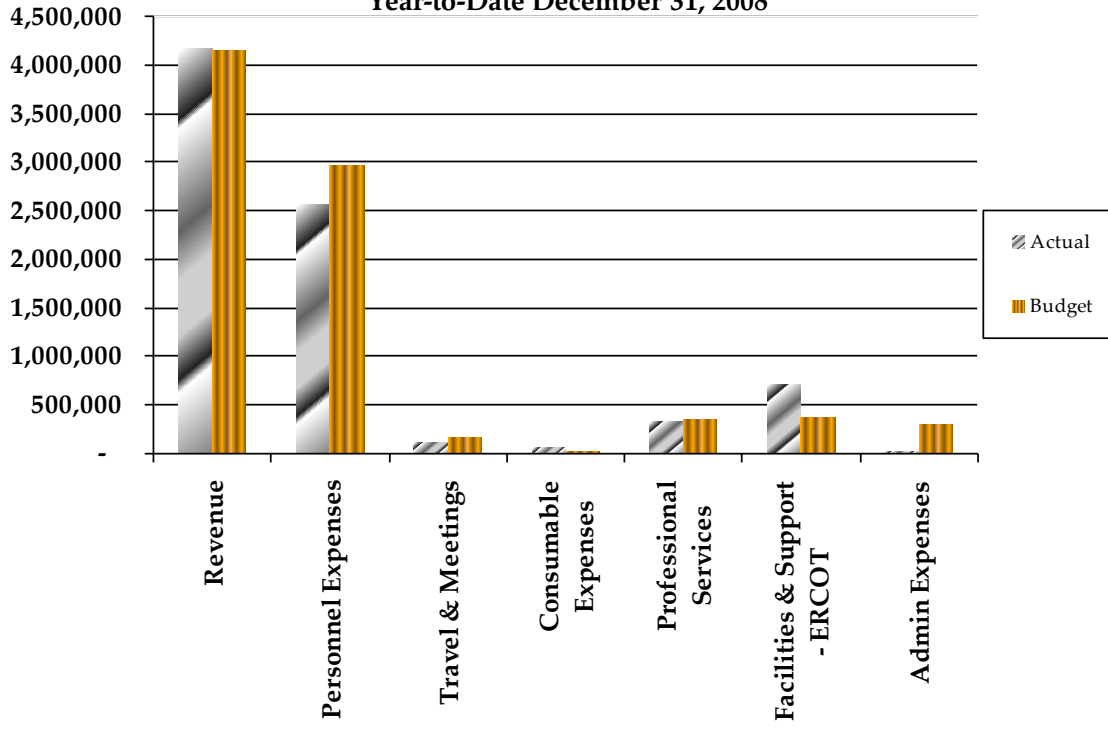


December Comments

-  **Revenue** - Revenue for December is on target compared to plan.
-  **Personnel Expenses** - On Target in December due to full staff for the entire month.
-  **Travel & Meetings Expenses** - Slightly higher in December due to a higher number of expense reports submitted.
-  **Consumable Expenses** - For the month is trending higher due to website/portal hosting fee.
-  **Professional Services** - Expenses for December are higher than plan primarily due to final determination of financial audit expense and FERC audit preparation.
-  **Facilities & Support** - Higher in December due to the higher than planned expenses paid to ERCOT for Administrative services (MOU executed in July, 2008).
-  **Administrative Expenses** - The contingency reserve was budgeted in this category.

YTD December 2008 Operating Expenses

Texas RE - Income Statement by Category
Year-to-Date December 31, 2008



YTD December Comments
Revenue - Revenue year-to-date is higher than plan, due to interest income earnings on excess cash.



Personnel Expenses - Lower YTD due to personnel vacancies.



Travel & Meetings Expenses - Lower due to vacancies.



Consumable Expenses - YTD, is trending higher due to the increased demand for office supplies and printing. The increase is a result of reporting activities, printing, and requests for information.



Professional Services - Expenses YTD are on target despite the financial audit expenses from 2007 impacting 2008 and outside review of Texas RE procedures.



Facilities & Support - Higher YTD due to the higher than planned expenses paid to ERCOT for Administrative services (MOU executed in July, 2008).



Administrative Expenses - The contingency reserve was budgeted in this category.

December 2008 & YTD Operating Expenses

Texas Regional Entity
Income Statement
Statutory & Non-Statutory Consolidated
For the Period Ended December 31, 2008
Unaudited

Group Rollup	Group Rollup Name	Period to Date			Year to Date			Annual Budget
		Actual	Budget	Difference	Actual	Budget	Difference	
Revenue	1-Assessments	339,571	339,571	(0)	4,074,848	4,074,848	-	4,074,848
	2-Workshops	-	-	-	-	70,000	(70,000)	70,000
	3-Interest Income	-	-	-	90,041	-	90,041	-
Total Revenue		339,571	339,571	0	4,164,889	4,144,848	20,041	4,144,848
Personnel Expenses	10-Salaries	193,159	186,897	(6,262)	1,973,974	2,242,782	268,807	2,242,782
	11-Payroll Taxes	11,766	15,512	3,746	143,083	186,151	43,068	186,151
	12-Employee Benefits	18,158	22,428	4,270	207,407	269,134	61,727	269,134
	13-Saving and Retirement	23,482	21,867	(1,615)	246,481	262,406	15,925	262,406
Total Personnel Expenses		246,566	246,704	138	2,570,945	2,960,473	389,528	2,960,473
Travel & Meetings	20-Meetings & Training	175	353	179	23,374	74,239	50,865	74,240
	30-Travel	12,528	8,095	(4,433)	90,241	97,135	6,894	97,135
Total Travel & Meetings		12,703	8,448	(4,255)	113,616	171,375	57,759	171,375
Consumable Expenses	40-Office Supplies	1,020	550	(470)	11,987	6,600	(5,387)	6,600
	41-Postage & Shipping	198	300	102	4,306	3,600	(706)	3,600
	42-Telecommunications	10,025	325	(9,700)	24,076	3,900	(20,176)	3,900
	43-Printing & Copying	1,656	100	(1,556)	14,298	1,200	(13,098)	1,200
Total Consumable Expenses		12,899	1,275	(11,624)	54,667	15,300	(39,367)	15,300
Equipment & Maintenance	50-Equipment Maintenance	-	350	350	-	4,200	4,200	4,200
Professional Services & Consulting Expenses	60-Professional Services-Legal	12,428	23,167	10,739	157,714	278,000	120,286	278,000
	61-Professional Services-Accounting/Auditing	10,011	3,000	(7,011)	77,502	36,000	(41,502)	36,000
	62-Professional Services-Other	14,718	2,000	(12,718)	87,764	24,000	(63,764)	24,000
Total Professional Services & Consulting Expenses		37,157	28,167	(8,990)	322,980	338,000	15,021	338,000
Facilities & Support - ERCOT	70-Rent & Improvements	9,835	9,335	(500)	118,020	112,000	(6,020)	112,000
	71-Support (HR, Treas, Finance, BOD, etc.)	70,867	8,417	(62,450)	404,507	101,000	(303,507)	101,000
	72-IT/MIS Support & Services	17,734	12,250	(5,484)	187,910	147,000	(40,910)	147,000
Total Facilities & Support - ERCOT Total		98,436	30,002	(68,434)	710,437	360,000	(350,437)	360,000
Administrative Expenses	73-IT/MIS Projects, Purchases & Maintenance	59	-	(59)	2,046	-	(2,046)	-
	80-Depreciation Expense	2,455	-	(2,455)	19,496	-	(19,496)	-
	81-Interest Expense	1,555	24,625	23,070	395	-	(395)	-
	90-Miscellaneous Other	-	-	-	4,264	295,500	291,236	295,500
Total Administrative Expenses		4,069	24,625	20,556	26,202	295,500	269,298	295,500
Total Expenses		411,830	339,571	(72,259)	3,798,847	4,144,847	346,000	4,144,848
GAIN / (LOSS)		(72,259)	(0)	(72,259)	366,041	0	366,041	0

**Texas Regional Entity
Advisory Committee
Future Agenda Items - January 2009**

Item		Meeting
1.	Review 2009 Goals and Objectives	February 2009
2.	Review Salary Survey Results	February 2009
3.	Recommend CEO compensation (if not recommended in January) for implementation in April	February 2009
4.	2008 Texas RE Lessons Learned	February 2009
5.	Discuss Texas RE Succession Planning	March 2009
6.	Discuss evolution of Special Investigations	March 2009
7.	Discuss 2010 Business Plan & Budget	April 2009
8.	Discuss Staffing/Headcount	April 2009
9.	Recommend acceptance of audited Financials	May 2009
10.	Recommend approval of 2010 Business Plan & Budget	May 2009
11.	Review and consider revisions to Bylaws	June 2009
12.	Review and consider modifications to Advisory Committee Charter	September 2009